CALIFORNIA DEPARTMENT OF INSURANCE
Dave Jones | Insurance Commissioner

We act to ensure vibrant markets where insurers keep their promises and the health and economic security of individuals, families and businesses are protected.

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Why the Anthem Blue Cross Rate Increases are Unreasonable, and their Arguments Misleading

Paying more, getting less

- Anthem is increasing its rates, while also reducing benefits. Reducing benefits has the same effect as a rate increase.
- Factoring in Anthem's benefit reductions, the average 12-month rate increase is a 10.6 percent increase.
- The 10.6 percent rate increase is only the average. Some small employers will be hit with a higher increase, some as high as 17.4 percent.
- Over the past 24 months, the average increase has been 19.5 percent, including rate increases and benefit reductions.

Higher than competitors

- Anthem's rate increases have been higher than many competitors when benefit reductions are taken into consideration.
- All competitors have reduced their estimates for medical cost trend. Anthem's projected trend is higher than its competitors.

Apples and Oranges

- Anthem's fact sheet cites figures that are not comparable, as they fail to include all benefit reductions.
- Anthem also asserts that its 24-month average is 12.1 percent, but it chooses a figure that does not reflect any of its benefit reductions. The complete figure, including benefit reductions, is a 19.5 percent average 24-month increase.

Profitability measured the way the market measures it

- Return on Equity is the critical profit measure used by economists, industry, stock analysts, shareholders, and regulators. It represents the return on the company's investment, not just the percent of revenue the company keeps.

The ACA fees are significant

- The ACA fee amount cited by Anthem Blue Cross will increase over 2013 as the year progresses. Charging this fee in 2013, when it is not due until 2014, is like being charged now for a sales tax that doesn't increase until next year. If all health insurers regulated by the Department of Insurance were to follow Anthem in charging these fees early, California small employers would suffer a cumulative hit of $35 to $40 million dollars.

Time for rate regulation

- Commissioner Jones has tried repeatedly over the last six years to pass legislation that would give the Insurance Commissioner the authority to reject excessive health insurance rate hikes, (similar to the authority he already has over auto, life and property/casualty insurance). He authored such legislation when he served in the State Assembly and as Commissioner has sponsored such legislation. Though the State Assembly has passed the legislation repeatedly, it has died in the State Senate each year as a result of health insurer and HMO lobbying.

- Policyholders still lack adequate consumer protection from steep rate hikes, because the Insurance Commissioner does not have the authority to reject excessive rate increases. A ballot initiative has qualified for the 2014 ballot to give the Insurance Commissioner the authority to prevent excessive health insurance and HMO premiums.

- Consumer advocates, including Consumer Watchdog, have collected more than 800,000 signatures to qualify a ballot initiative for the 2014 election that will give the Insurance Commissioner the same authority over healthcare rates that he has over nearly every other line of insurance including auto, homeowners, property and casualty, and even medical malpractice. The initiative will give the Commissioner the ability to review rates back to 2012 and order refunds in cases where the rates were excessive.

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Insurance Commissioner Dave Jones' Statement Regarding Anthem Rate Increase and Health Care Rate Regulation

"It is unreasonable that Californians have endured double-digit health care rate increases for nearly a decade. Not only do the rates increase, but at the same time benefits are reduced and costs for care increases, including out-of-pocket, co-pays, and deductibles. This is unsustainable, especially given the economic challenges families are facing. Many are forced to choose between paying rent and putting food on the table and buying healthcare insurance, which means many California families go without healthcare insurance.

"Unfortunately, I do not have the authority to protect consumers from these unreasonable rate hikes, which I do have for virtually every other line of insurance, including auto, homeowner, property and casualty, and even medical malpractice. The Insurance Commissioner needs the authority to reject unreasonable rate increases for healthcare insurance. With implementation of the Affordable Care Act in 2014 and a mandate for all Californians to purchase healthcare insurance, and no ability to hold the companies accountable and reject unreasonable increases, consumers are at risk of even more rate increases in the future."

Insurance Commissioner Dave Jones

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